

**Assembly Bill No. 2106**

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Passed the Assembly    August 16, 2004

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*Chief Clerk of the Assembly*

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Passed the Senate    August 10, 2004

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day of  
\_\_\_\_\_, 2004, at \_\_\_\_\_ o'clock \_\_M.

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*Private Secretary of the Governor*

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## CHAPTER \_\_\_\_\_

An act to add Article 7.5 (commencing with Section 9147.1) to Chapter 1.5 of Part 1 of Division 2 of Title 2 of, and to repeal Section 13305 of, the Government Code, relating to state government.

## LEGISLATIVE COUNSEL'S DIGEST

AB 2106, Ridley-Thomas. State government: tax expenditures report.

Existing law requires the Department of Finance to provide an annual report to the Legislature on tax expenditures, containing specified information.

This bill would repeal that provision and would require the Department of Finance to annually submit to the Legislature, in conjunction with the Governor's Budget, a report of the tax expenditures, as defined, currently in effect.

*The people of the State of California do enact as follows:*

SECTION 1. This act shall be known, and may be cited, as the California Tax Expenditure Accountability Act.

SEC. 2. Article 7.5 (commencing with Section 9147.1) is added to Chapter 1.5 of Part 1 of Division 2 of Title 2 of the Government Code, to read:

Article 7.5. Tax Expenditures Report

9147.1. As used in this article, "tax expenditure" or "tax expenditures" means a credit, deduction, exclusion, exemption, or any other tax benefit as may be provided for by state law.

9147.2. (a) On or before September 15, 2005, and on or before September 15 in each odd-numbered year thereafter, the Department of Finance shall submit to the Legislature a report of the tax expenditures currently in effect, including those tax expenditures set forth in the Personal Income Tax Law (Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code), the Corporation Tax Law (Part 11 (commencing with Section 23001) of Division 2 of the Revenue



and Taxation Code), and the Sales and Use Tax Law (Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code). The report shall contain the following information, to the extent feasible:

- (1) A description of each tax expenditure.
- (2) The statutory, constitutional, or other legal authority for each tax expenditure.
- (3) The original intent of each tax expenditure.
- (4) An estimate of revenue loss for the most recent fiscal year for each tax expenditure.
- (5) The following information, based on information provided by the Franchise Tax Board or by the State Board of Equalization in the case of sales and use tax expenditures that are separately identified on returns or claims, to the extent feasible:
  - (A) The number of tax returns or taxpayers affected by the tax expenditure.
  - (B) The distribution of each tax expenditure, as follows:
    - (i) For tax expenditures available to businesses, by size of the business or industry, by size of total receipts, and by type of business or industry.
    - (ii) For tax expenditures under the Personal Income Tax Law, by adjusted gross income brackets.
  - (b) The report required by subdivision (a) shall also be provided in each even-numbered year, but may be limited to new or revised tax expenditures and to significant updates, revisions, or corrections of information in the prior year's report.

SEC. 3. Section 13305 of the Government Code is repealed.



Approved \_\_\_\_\_, 2004

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*Governor*

